1978 Annual Report of Petrofina Canada Ltd.

The Twenty-fifth Anniversary Edition

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Chairman of the Board,
President and Chief Executive Officer

SENIOR VICE-PRESIDENT

J.E. Baugh,
Exploration & Production

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Treasurer

G.A. Craig,
Comptroller

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Manufacturing

N.S. Mahlab,
Administration

A.W. McLeod,
General Counsel and Secretary

R.J. Redding,
Marketing

N.H. Van Son,
Supply & Logistics

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***K.S.C. Mulhall,**
Financial Consultant

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***Laurent A. Picard,**
Dean, Faculty of Management,
McGill University

Baron Didrik Snoy,
Executive Director Supplies—Transport, Petrofina S.A.

Peter N. Thomson,
Chairman, TIW Industries Ltd.

**Member of the Audit Committee*

Executive Offices
The Royal Bank of Canada Building, 1 Place Ville Marie,
Montréal, Québec H3B 4A9

Auditors
Clarkson, Gordon & Co.

Transfer Agent
Montreal Trust Company

Registrar
The Royal Trust Company

ANNUAL AND SPECIAL GENERAL MEETING

The Annual and Special General Meeting of Shareholders will be held in the Auditorium, Mezzanine Floor 2 (M-2) The Royal Bank of Canada Building, 1 Place Ville Marie, Montréal, Québec, at 12:00 noon on April 18, 1979.

Ce rapport a été publié en français et en anglais. Si vous préférez un exemplaire français veuillez en faire la demande au:
Secrétaire,
Petrofina Canada Ltée,
1, Place Ville-Marie,
Montréal, Québec, Canada
H3B 4A9

Comparative Highlights

Financial

(in thousands of dollars except per share amounts)	1978	1977	% Change
Revenues	$593,600	$531,100	+ 11.8
Cash generation from operations	56,800	55,000	+ 3.3
—per common share	5.68	5.50	+ 3.3
Net earnings	23,700	30,700	− 22.8
—per common share	2.37	3.07	− 22.8
Dividends paid on common shares	12,000	11,500	+ 4.3
—per common share	1.20	1.15	+ 4.3
Capital expenditures	43,900	45,400	− 3.3
Long-term debt at end of year	85,600	70,700	+ 21.1
Shareholders' equity at end of year	273,500	261,700	+ 4.5
Working capital	62,600	64,000	− 2.2
Return on average capital employed	7.9%	9.7%	− 18.6
Return on average shareholders' equity	8.9%	12.2%	− 27.0
Salaries, wages, employee benefits	44,300	42,300	+ 4.7
Taxes charged against income	26,000	22,600	+ 15.0
Total taxes generated	151,400	140,100	+ 8.1
Crown royalties paid	26,300	22,800	+ 15.4

Operating

	Rates per Day		% Change
Production of crude oil and natural gas liquids —gross (barrels)	17,900	17,900	—
Natural gas produced and sold —gross (thousands of cubic feet)	73,300	81,100	− 9.6
Sales of sulphur (long tons)	469	421	+ 11.4
Crude oil runs to refinery (barrels)	72,400	75,400	− 4.0
Refined product sales (gallons)	2,413,100	2,385,100	+ 1.2

Contents

To the Shareholders

On May 1, 1978 Petrofina Canada Ltd. completed twenty-five years of operation. The growth of the Company from the opening of its first service station in 1953 to its present status in Canada is traced in some detail in a separate section of this report. From an original investment of $25 million the total assets of the Company have grown to almost $600 million, with annual sales in the same dollar range.

Net earnings for 1978 dropped to $23.7 million ($2.37 per share) from $30.7 million ($3.07 per share) in 1977. Excess refining capacity in eastern Canada continued to depress profit margins on refined products during the first three quarters of 1978, which was the major factor in the reduction. However, during the final quarter we were encouraged by an upward trend in prices and operating margins. Return on average capital employed declined to 7.9% in 1978 from 9.7% in 1977.

In line with the Company's current planning, a greater share of available funds will be invested in our exploration activities. In 1979 capital investment should reach $53.0 million, of which $30.0 million will be in energy resource development.

Dividends at the annual rate of $1.20 per share were paid in March and September for a total of $12 million.

In June 1978 the Company increased its long-term debt by issuing $40 million of notes through private placement. Fifteen million dollars were used to retire outstanding term bank indebtedness and the balance was used, together with internally generated funds, to finance our capital expenditures and replenish working capital.

In our report to you last year we mentioned that we had been approached to join a consortium of companies formed for the purpose of constructing a third plant in the Athabasca oil sands. After an exhaustive study of the proposals, we signed a participation agreement with the other members committing the Company to share the costs of further technological and economic studies. the preparation and filing of the necessary application for approval by appropriate government agencies and the negotiation with governments of the fiscal arrangements which are imperative to the final undertaking. An application was filed with the Alberta Energy Resources Conservation Board in December 1978.

Our decision to participate in the Alsands Group is consistent with our view that the investment opportunities in our industry, for the foreseeable future at least, lie in energy resource development. Government policies recognize the importance to our country of early development of major energy projects. Recent international events make one appreciate the importance of energy self-reliance to Canadians.

It is not sufficient, however, for our governments to extol the virtues of this course of action and implore industry to "get on with the job". This ideology must first be manifested in appropriate legislation which will create the environment and confidence to encourage industry and outside investors to come forward with the vast sums of capital necessary for its fulfillment. That Canada has the resources, both natural and human, to accomplish the task we have no doubt. Our industry has demonstrated clearly during the past that when the proper fiscal environment exists the discovery of new energy supplies results.

Activity continued at a record pace in the exploration segment of our industry in 1978. Total expenditures represent re-investment by industry of close to 85% of internally generated funds in this segment. The National Energy Board's most recent report on oil supply and requirements indicated a marked improvement in Canada's hydrocarbon energy supplies. Indeed, a surplus of natural gas now exists in excess of Canada's foreseeable needs. Unless new markets can be found to provide an early cash flow from these locked-in investments, the incentive to continue exploration at record levels will diminish.

The Canadian economy continued to be sluggish throughout 1978, nevertheless a growth rate in real terms of about 3¾% was achieved. A reduced rate of about 2½% is predicted for 1979. The inflation rate for 1978 was 9% and forecasts for 1979 do not anticipate a significant change. Wage increases averaged about 7.5% during 1978, less than the inflation rate and this, together with the depreciation of the Canadian dollar, should help to restore Canada's competitiveness. Consumer price rises are expected to ease in 1979 and capital investment in the business sector to increase.

Although the Company crosses the threshold of its second quarter-century with many of the problems which plagued the industry in the last decade still unresolved, we are optimistic that the groundwork has been laid for a prosperous future.

Your Board of Directors was saddened during 1978 by the death of two directors and one former director—Senator J.J. Greene, Mr. Blancke Noyes and Mr. Sam Steinberg. The valuable contributions of these gentlemen to the Company during their terms of office are gratefully remembered.

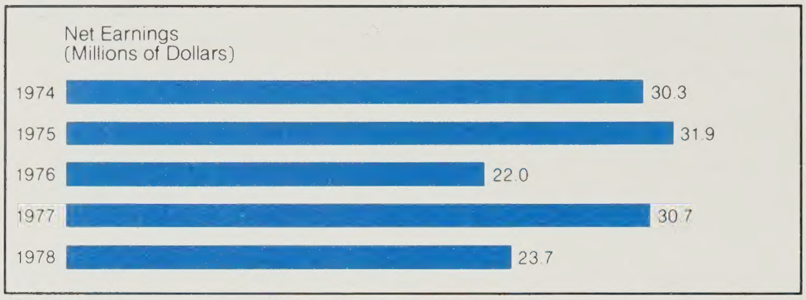
The accomplishments of our Company over the past 25 years are due primarily to the efforts of our employees, a significant number of whom have served the Company since its inception, and to the support of our shareholders and customers. We want to record our appreciation of this continuing effort and support.

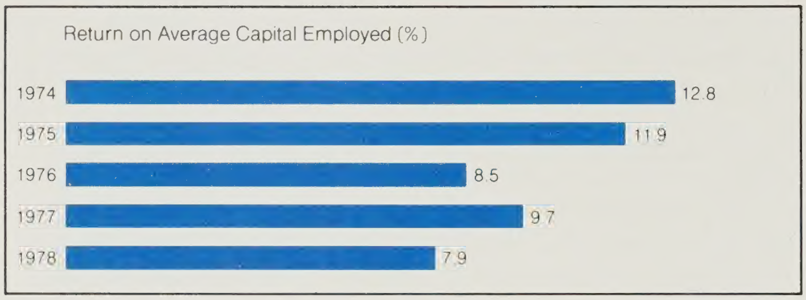
On behalf of the Board

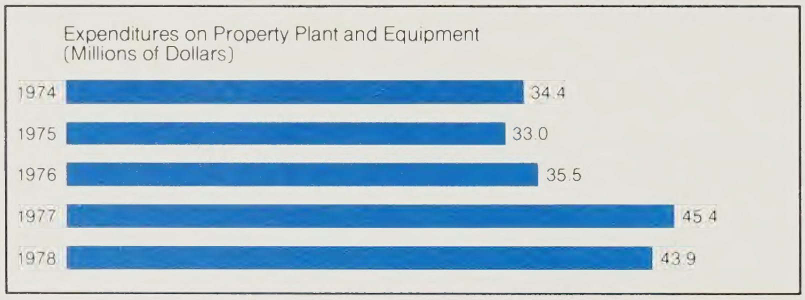
Chairman of the Board,
President and Chief Executive Officer

February 23, 1979

Financial Review







Consolidated net earnings for 1978 were $23.7 million, a decrease of 22.8% compared with 1977 earnings of $30.7 million. The lower 1978 profit is the result of lower profit margins on sales of refined products and petrochemicals in the first three quarters.

Gross income for 1978 amounted to $593.6 million, or 11.7% higher than the $531.1 million in 1977.

Cash flow from operations in 1978 amounted to $56.8 million, compared with $55.0 million in 1977, an increase of 3.4%. The return on average capital employed was 7.9%, compared with 9.7% in 1977.

The Company paid dividends on its common shares on March 31, and September 30, 1978, at an annual rate of $1.20 per share.

Total direct and indirect taxes paid or accrued amounted to $151.4 million in 1978, an increase of 8.1% over 1977. Included in this total is $117.1 million in taxes collected on behalf of Provincial and Federal governments.

Expenditures for properties, plant and equipment were as follows:-

	1978	1977
	(millions of dollars)	
Exploration and production	$26.2	$22.2
Manufacturing	9.3	7.5
Marketing	8.4	15.7
	$43.9	$45.4

Closing Quarterly Common Share Prices
as Traded on the Toronto Stock Exchange

Quarter	1st	2nd	3rd	4th
1977	$16½	$17⅜	$18	$23
1978	20⅜	18½	21⅜	22⅜

Exploration and Production

During the year we participated in the drilling of 73 wells (43 exploratory and 30 development). This drilling resulted in 13 oil wells and 23 gas wells capable of production. At year-end seven other wells were suspended or awaiting completion, and six wells were still drilling.

British Columbia
In the West Buick Creek project in north-eastern British Columbia (see map) two wells were drilled and completed during the year. In the first well a 65 foot gas zone and a 45 foot potential oil zone were encountered. On a short production test, gas flowed at a rate of 6.4 million cubic feet per day and oil at a substantial initial rate. The second well, a mile to the south, also encountered hydrocarbons in the same two zones. Further evaluation of these wells is necessary to determine the best production methods and the potential for extension of the discoveries.

At Wapiti River near the British Columbia/Alberta border a 13,000 foot exploratory test was completed as a potential gas well in the early part of 1978. On a drillstem test of a zone in the Nikinassin formation, gas flowed at a rate of 19 million cubic feet per day. Limited production testing of the zone indicates a low porosity fractured reservoir. An extensive seismic programme has been completed and is currently being interpreted in order to select further possible drilling locations.

Alberta
At Gold Creek West, (see map) which lies on the current southern edge of the very active Elmworth deep basin gas play a deep exploratory well was drilled which encountered gas in the Cretaceous, Spirit River sandstone formation. Drilling of a second well was nearing completion at year-end, while a third well is planned for early 1979.

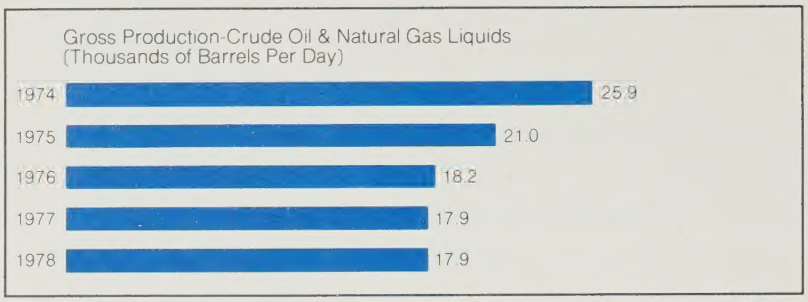
At Crowfoot, 65 miles southeast of the city of Calgary, where the Company owns approximately 4,000 gross acres of freehold mineral rights, three Glauconitic oil wells were completed. These wells, each capable of producing 175 barrels per day, are on production at their allowable of about 80 barrels per day each.

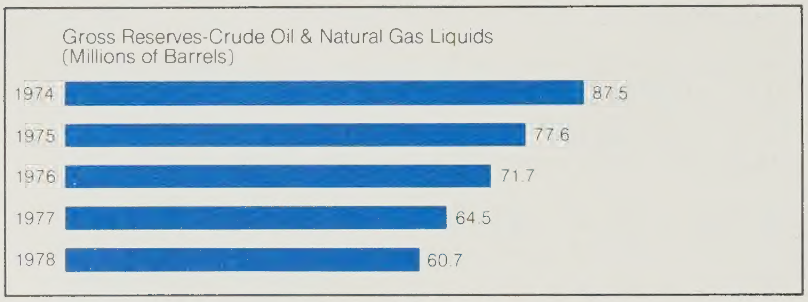
The prolific Whitecourt area of west central Alberta, was again the scene of intensive drilling activity. The Company participated in drilling 25 exploratory wells, 11 of which are presently classified as gas wells. In addition, the Company participated in drilling 13 development wells resulting in 4 oil wells and 4 gas wells. An aggressive drilling programme will be continued on this project during 1979.

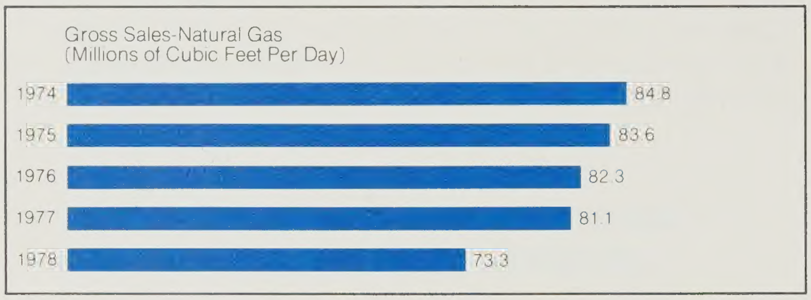
At West Fox Creek gathering and processing facilities were installed which enabled the Company to make its first gas sales from this area in December at a daily rate of 2 million cubic feet.

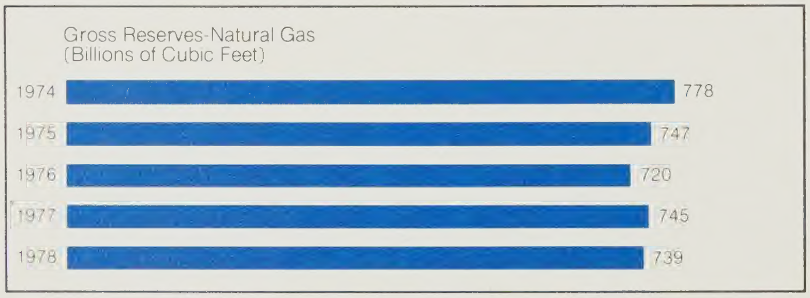
At December 31, 1978, the Company held interests in 541 oil wells and 347 gas wells capable of production in non-unitized fields, which amounted to 181 net oil wells and 100 net gas wells. It also held varying interests in 71 unitized fields.

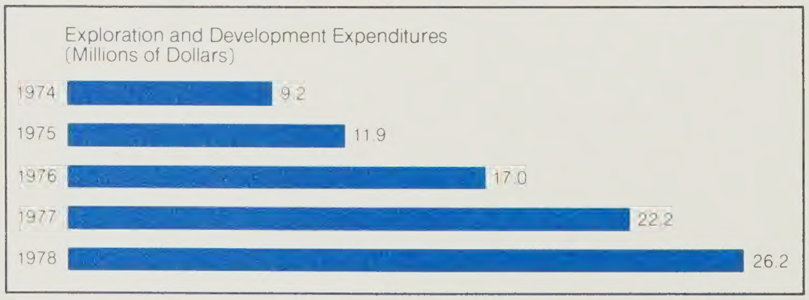
Acreage Holdings
Year-end holdings of petroleum and natural gas rights in the form of permits and reservations amounted to approximately 5.5 million gross acres and leases amounted to 2.9 million gross acres. Net holdings amounted to approximately 1 million acres and 1.2 million acres respectively. Holdings of coal rights add approximately 200,000 acres, both gross and net.











Sales

Sales of crude oil and natural gas liquids produced from the Company's properties in 1978 totalled 6.5 million barrels, before royalty, unchanged from 1977. Natural gas sales, before royalty, amounted to 26.8 billion cubic feet compared with 29.6 billion cubic feet the previous year. The reduction was due to decreased nominations by the purchasers under the company's gas sales contracts. Sulphur sales increased to 171,000 long tons from 154,000 long tons in 1977.

Canada's National Energy Board completed extensive hearings during the year on supply and demand for natural gas and its report is expected early in 1979. We hope that a surplus over Canada's reasonable requirements will be established permitting additional export sales to the United States. The Company has entered into new contracts with gas purchasers for up to five billion cubic feet per year conditional upon export authorization being obtained.

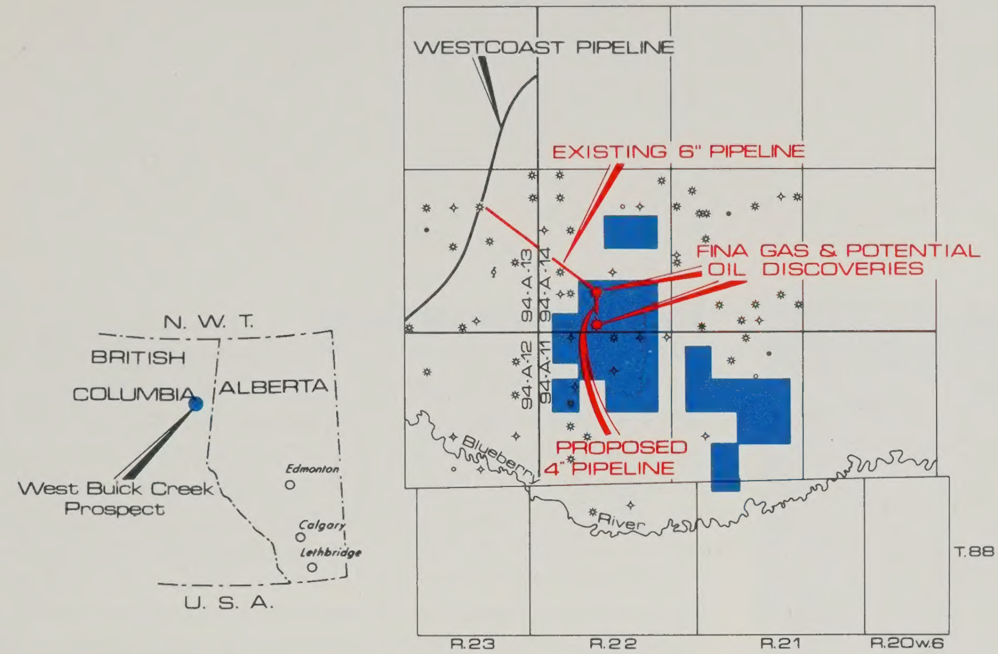
The average gross wellhead price received by the Company during the year for crude oil was $12.27 per barrel, an increase of $1.98 over the previous year and the average price received for natural gas increased to $1.55 per thousand cubic feet from $1.30 per thousand cubic feet.

Reserves

The Company's remaining proven reserves of crude oil and natural gas liquids at year-end were estimated at 60.7 million barrels, before royalty, and natural gas reserves were estimated at 739.3 billion cubic feet. Remaining sulphur reserves were estimated at 2.1 million long tons.

Coal

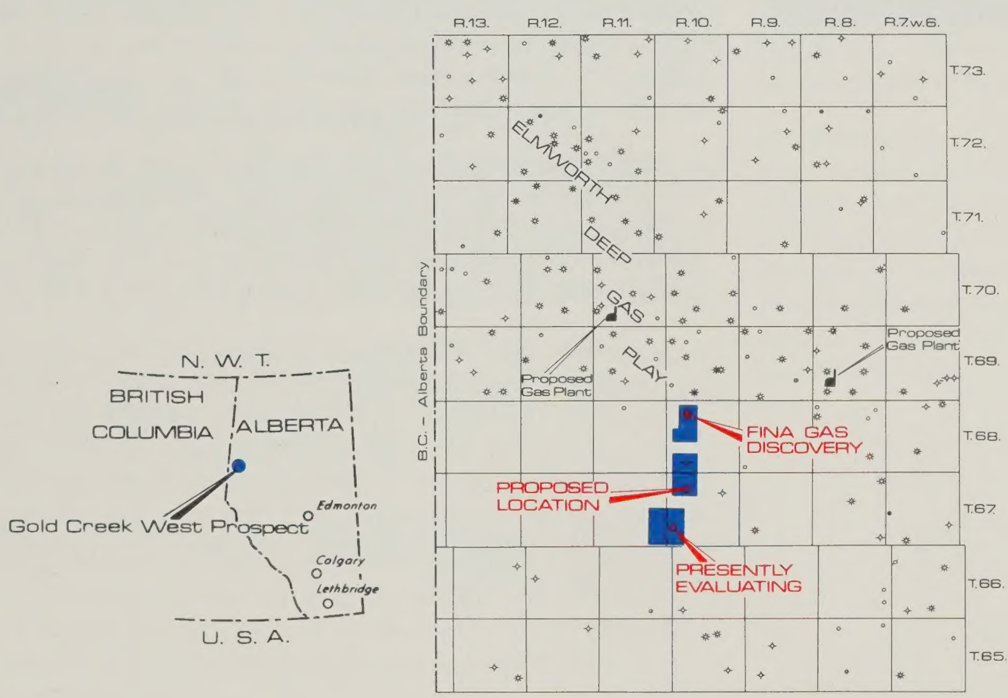
During the year the Company expanded its coal holdings by the acquisition of 15,500 acres of Crown coal leases in the Bigoray River area of west central Alberta. In the Lethbridge/Picture Butte area of southern Alberta, where the Company owns 45% to 50% interest in 12,000 acres of Crown and freehold coal rights, studies were commenced of the development and market possibilities for this high quality thermal coal. At year-end applications were filed for 193,000 additional acres of provincial leases in Alberta.



WEST BUICK CREEK PROSPECT

PETROFINA LAND HOLDINGS
(40%-100% Working Interest in 15,000 acres)

0 5 10 15 miles
0 5 10 15 20 25 kilometres



GOLD CREEK WEST PROSPECT

PETROFINA LAND HOLDINGS
(50% Working Interest in 13,400 acres)

0 5 10 15 20 25 miles
0 5 10 15 20 25 30 kilometres

Mining the Athabasca oil sands is a prototype dragline used to dig a test pit in the Alsands project area, north of Fort McMurray, Alberta.

The Athabasca Oil Sands

Petrofina Canada Ltd. has a long and active history in the Athabasca oil sands. Starting in 1952, the Company, together with partners, investigated the area and acquired 350,000 permit acres along the Athabasca River north of Fort McMurray. Further exploration in the 1950's resulted in the surrender of the less attractive acreage and the retention of 103,000 acres of prime prospects. In 1963, a consultant's evaluation indicated proven reserves of three billion barrels of bitumen using generally accepted parameters for surface mining. Subsequent drilling and coring has raised the estimates of proven reserves to about six billion barrels.

By 1966, the group known as the Athabasca Oil Sands Project (AOP), with Petrofina as operator, instituted an experimental in-situ operation to remove oil from the sands using steam injection. This three-year experiment, while technically rewarding, did not indicate commercial application and attention turned to mining. After completing a major feasibility study, the AOP group, in 1974, filed an application with the Alberta Energy Resources Conservation Board for a 125,000 barrel per day mining project at an estimated cost of $850 million in 1973 dollars. The plans received technical approval, but satisfactory fiscal terms were not forthcoming and the plans had to be shelved.

In 1978, a new consortium, the Alsands Project Group was formed with nine participants. Petrofina's interest in the Group is eight percent. Substantial progress was achieved in 1978 on plans for the construction of a plant using part of the AOP lands pooled with some landholdings of other Group members.

In December, 1978, the Alsands Group filed an application with the Alberta Energy Resources Conservation Board requesting approval to proceed with construction of a 140,000 barrel a day plant subject to the successful negotiation with governments of the fiscal terms under which such a plant could be built. These negotiations will be pursued in 1979. The proposed plant has a projected cost of $5.1 billion when completed and is planned to go on stream in 1986.

Supply

Crude oil purchases for 1978 amounted to 26.6 million barrels for a total cost of $342 million. Our purchases of western Canadian crude for delivery to our own refinery increased to 11.6 million barrels, compared with 10 million barrels in 1977. As a result, crude oil purchases from the Middle East decreased 1.6 million barrels. In addition, we purchased another 6 million barrels of western Canadian crude for delivery to a Sarnia refinery for processing on our account.

Under the terms of the Federal Provincial Agreement on Oil Pricing, the average price for Canadian crude oil was increased by $1 per barrel on January 1 and again on July 1, 1978, bringing the new price to $12.75 per barrel. A further $1 per barrel increase scheduled for January 1, 1979, was postponed by government action and instead will be effective on July 1, 1979, with a further $1 per barrel increase announced for January 1, 1980. The price of our foreign crude supplies remained stable during 1978. The Federal government continued its Oil Import Compensation Program whereby Canadian refiners of foreign crude are subsidized for any excess costs over Canadian crude costs.

Manufacturing

The Pointe-aux-Trembles refinery processed an average of 72,400 barrels per day of crude oil, a slight reduction from the 1977 level. Approximately 54% of the total was Middle East types, 42% western Canadian and the remainder was South American, western condensate and synthetic crude. For economic reasons the full crude processing capacity of the refinery was not utilized.

During the year planned shutdowns of several major process units resulted in higher than normal maintenance costs. Also, two province-wide power failures early in the year severely disrupted refinery operations causing some damage to equipment and degradation of product.

High priority was again placed on energy conservation with a number of projects completed and others under study. Operating efficiency was further enhanced by the extension of computer control on the units and by training programmes. These efforts have resulted in a 24% reduction in refinery fuel since 1973 on an equivalent basis.

Continued emphasis on the extraction of aromatics yielded increased volumes of these valuable materials. Production reached a new high of 1,980,000 barrels, which represents 7.5% of crude throughput. In addition, to meet a new demand, the refinery began production of premium unleaded gasoline.

Construction was started on the new biological treating facilities for refinery effluent water. These facilities will purify the liquid effluent in compliance with government regulations and will be in operation before the end of 1979.

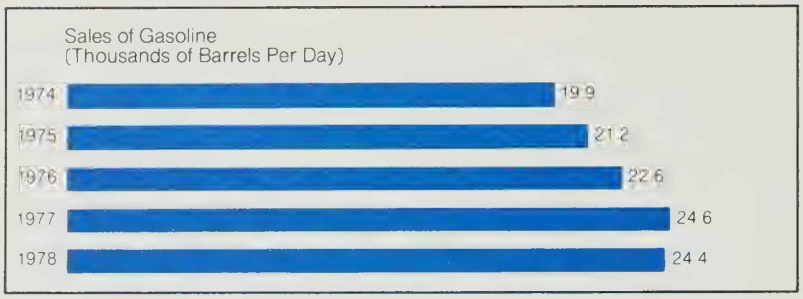
Petrochemicals

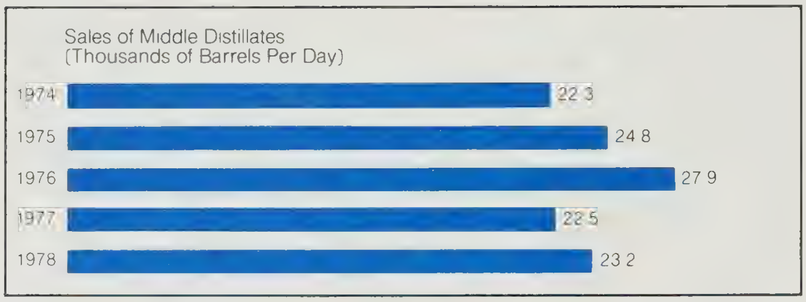
In June 1978 we changed the name of our subsidiary company from Petrofina Canada Chemicals Ltd. to Finachem Canada Inc., with our ownership in the company remaining at 51%. Coincident with the name change we created a logo to identify the firm as a FINA company and further promote Finachem on an international basis.

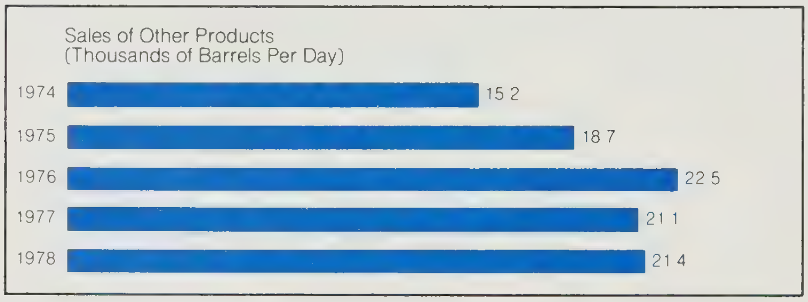
Sales revenue from petrochemicals increased over 30% in 1978 to an all time high of $75 million. During the second part of the year the market for aromatics improved substantially and restored some profitability to that segment of our business. This was very much needed to cover the higher manufacturing costs involved.

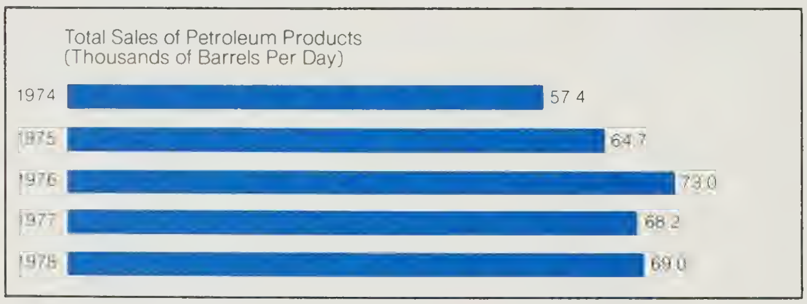
Two years ago we announced a new orthoxylene project but, after carefully reviewing the market, we have decided to postpone this project indefinitely until the Canadian market can absorb a larger volume of this product.

The production and marketing of two new products of our solvent line—Finasol 10 and Finasol 100—began in 1978. Sales of these products are growing rapidly and meeting our expectations. Finasol 10 is a high quality grade of normal pentane which is marketed in Canada solely by Finachem. This solvent is used in the manufacture of expandable polystyrene, a product with a steadily growing market in Canada, mainly in the insulation and packaging fields.









Marketing

Although 1978 proved to be a highly competitive period, there were indications of gradually improving market conditions throughout the latter part of the year. We were particularly encouraged by the continued improvement in marketing revenues and operating margins during the final months of 1978.

The Company responded to the challenges of the market by placing additional emphasis on expense control and improved operating efficiencies. Such action enabled us to increase petroleum product sales while limiting the growth in total marketing expense to less than one-half the general rate of inflation.

We continued our programme of consolidating and strengthening our network of retail outlets. A number of unsuitable properties were sold and replaced by large volume, more cost-efficient self-serve units. Some of the new locations combine the self-serve facilities with dealer-operated service bays to provide motorists with an adequate mix of both products and automotive services. Other self-serve units were developed in conjunction with convenience stores—an increasingly popular combination.

Sales of FINA lead-free gasoline increased dramatically as a growing number of newer vehicles require the product. An additional product, FINA SUPER LEAD-FREE gasoline, was introduced in the latter part of 1978 to satisfy the higher octane requirements of certain vehicles. Distribution of the new product is being rapidly expanded throughout our marketing area.

The Company continued to supply large quantities of FINA aviation jet fuel to a number of national and international airlines. Asphalt sales increased following the expansion of the Company's asphalt distribution facilities.

An exceptionally high quality, synthetic base lubricant, POLAR START DN-600 FLUID, was introduced in 1978. The new lubricant provides the Company with a true multi-purpose engine crankcase oil, hydraulic oil and torque converter fluid. This is an exciting new product with great sales potential.

The T.B.A. Section, which markets a wide range of high quality tires, batteries and automotive parts and accessories, continued to make an increasingly important contribution to the Company's marketing operation.

The Marketing Department proceeded with plans for the Canadian oil industry's scheduled conversion to the metric system of measurements consistent with the policies and

legislation established by the Federal and Provincial governments. Coincident with this change, we have taken the opportunity to rationalize sizes of packaged products and to introduce newly designed labels and package identification.

Public Affairs

In a social environment of increasing complexity, our Company believes that it has a responsibility to keep well informed on public issues. Our Company has many areas of competency and must contribute an enlightened point of view on such matters as consumer protection, political and economic trends and, in particular, matters of energy policy. These are our legitimate concerns. An open approach within our Company and without can assist in the creation of a healthier climate with a better informed public.

Our programme of employee communications which began in 1976 was highlighted this year by our President's visits to all our administrative regions. The programme calls for each department head to conduct a series of employee meetings at various Company locations. These meetings with our employees continue to be highly successful.

To mark our Company's 25th anniversary in Canada our internal publication, FINA PIPELINE, published an ambitious souvenir edition which was distributed to all employees.

Environmental Protection

Our Company's activities related to protection of the environment required cumulative expenditures of $30 million in capital investment, and more than $2 million in increased operating costs between 1972 and the end of 1978. These expenditures, which are expected to total $50 million by the early 1980's, are required to comply with government regulations and guidelines for the protection of human health and the natural environment.

The safe disposal of industrial wastes was influenced in 1978 as a result of communities across the country persuading governments to terminate landfill and sludgefarming operations. The petroleum industry organized a workforce to provide government with data and recommendations for the safe disposal of wastes from petroleum operations. Petrofina is an active participant in this activity.

Improvements in energy conservation and reductions in emissions to the atmosphere were effected at our Wildcat Hills gas processing plant in Alberta.

Metrication

In January, 1970, the Canadian Parliament unanimously endorsed a white paper on metric conversion which proposed the adoption of a metric system of measurement in Canada. Petrofina has participated since 1974 in two sectors of the metric commission concerned with the petroleum industry. As a result, our exploration-production operations are now operating in metric and the objective for completion of conversion of our marketing operations to metric is December, 1979.

25 Years of Progress

The FINA story in Canada began with two separate companies, Canadian Fina Oil Ltd., and Canadian Petrofina Limited (later renamed Petrofina Canada Ltd.) each of them a subsidiary of Petrofina S.A. of Brussels, Belgium.

Canadian Fina Oil Ltd.
Canadian Fina Oil Ltd. was founded in May 1950 as a Canadian exploration and production subsidiary of Petrofina S.A. In its early days, the Company set up its head office in a room at the Palliser Hotel in Calgary and the staff consisted of only two people. Capital of $750,000 provided by Petrofina S.A. and a $550,000 bank loan financed the first operations of Canadian Fina.

From the outset, Canadian Fina set about acquiring a variety of interests in petroleum and natural gas rights in Alberta. In its first year of operations, the Company participated in the drilling of nine wells. Five of the wells were in the Redwater field and were successful producers, whereas the others were exploratory wells, although one resulted in some marginal oil production. Some natural gas was also found, but it was necessary to delay production since no market for the gas then existed. It is interesting to note that this gas, discovered in the early 50's, was first marketed at the end of 1977 when increased prices made production economically feasible.

A remodelled station with a contemporary look but as functional as it was when first designed in 1953.

From the opening of the first FINA station in October 1953, the public welcomed the new company.

In 1955 the Company made important discoveries in the Whitecourt area and they are still among the Company's biggest producers. During the following decade more oil and gas discoveries were made. Despite the size of the reserves, natural gas production was delayed for some time due to the absence of significant markets. The first natural gas sales occurred in 1957 and since then the Company has increased production to meet growing demand.

Canadian Petrofina Limited

In 1953 Canadian Petrofina Limited was formed with its head office in Montreal and was initially involved in the marketing of imported petroleum products. Start-up financing for the Company was provided by Petrofina S.A., who undertook to put up $20 million in cash and to provide various guarantees and services.

To store its products the Company leased tanks along the St. Lawrence River. Only three months after it was inaugurated Canadian Petrofina opened its first service station at l'Abord-à-Plouffe, near Montreal. Within 18 months 400 FINA stations were in operation throughout Quebec. The Company next extended its chain of stations to Ontario and the Maritime Provinces. In 1956 it owned 1,500 stations.

The Company had two immediate ambitions; to have its own refinery and to acquire interests in the production of Canadian crude oil. Both ambitions were realized in 1955. First came completion of the refinery in Pointe-aux-Trembles, with a capacity at that time of 20,000 barrels a day, then the acquisition of two Canadian petroleum exploration and production companies: Western Leaseholds Ltd. and Calvan Consolidated Oil & Gas Company Ltd. Western Leaseholds owned a significant number of producing wells in the Redwater oil field, one of the most important in the country at that period. One of the assets of Calvan Consolidated worthy of note was its interest in the Athabasca oil sands which Fina hopes to develop during the 1980's.

In 1961 Canadian Petrofina Limited bought Canadian Fina Oil Ltd., thus the two related companies, who had up to that point operated independently, united their efforts and resources to build the Company as it is known today. Full merger of the two companies was completed in 1971.

A group of FINA geologists in 1953. From left to right: A.M. Davidson (with Petrofina to this day), J.J. Saunders and D.M. Wilson.

In 1956, "Alkyl-Gas" was introduced. FINA was the first company to use alkylate, an aviation fuel component in its motor gasoline.

Summary of Accounting Policies
December 31, 1978

Principles of consolidation
The consolidated financial statements include the accounts of Petrofina Canada Ltd. and its subsidiaries, all but one of which are wholly-owned.

Inventories
Oil products are stated at the lower of cost and net realizable value. Cost of oil products has been determined on the basis of the last-in, first-out method except for crude oil in transit, which is carried at actual cost. Inventories of materials and supplies are stated at the lower of average cost and replacement value.

Investments and advances
Investments are stated at cost. Advances, which consist of mortgages and other receivables, are shown at anticipated realizable value.

Properties, plant and equipment
The full-cost method of accounting is followed whereby all costs related to the exploration for and the development of oil and gas reserves are capitalized. Refining, marketing and other properties, plant and equipment are carried at cost.

Depreciation and depletion
Amounts capitalized under the full-cost method are depleted on the composite unit of production method based on estimated proven reserves of oil, gas and other saleable products. Depreciation on production equipment, gas plants and related facilities is provided on the same basis.

Depreciation on refining, marketing and other properties, plant and equipment is based on the estimated service lives of the assets, calculated on the straight-line method, except for motor vehicles where the diminishing balance method is used. Depreciation is calculated at the following average rates:

Buildings	2.50%
Equipment	6.66%
Motor vehicles	30.00%

Premiums paid on acquisitions
Premiums represent the excess of the purchase price over the value ascribed to net tangible assets of businesses acquired. The premiums are amortized on the straight-line basis over their estimated useful lives, which range from five to thirty years.

Foreign currencies
Amounts in currencies other than Canadian dollars have been translated as follows: current assets and current liabilities—at the rates of exchange prevailing at the end of each year; long-term debt—at the rates of exchange prevailing at the dates when the debts were incurred; revenues and expenses—at average rates of exchange through the year.

Oil import compensation
Under the oil import compensation programme the Federal Government compensates eligible importers for certain cost increases with respect to petroleum imported for consumption in Canada, provided the importing company voluntarily maintains prices for certain products obtained from imported petroleum at levels not to exceed those suggested by the Government. Compensation received or recoverable under this programme is reflected as a reduction of product costs or inventories as applicable.

Pension plan
Current service costs of pension benefits are accrued and funded on a current basis. Unfunded past service costs are charged to income as paid.

Income taxes
The Company provides for income taxes on the tax allocation basis of accounting under which the provision for income taxes is computed on the basis of income reported in the financial statements rather than that reported in the tax returns. Taxes provided on income deferred for tax purposes by claiming deductions greater than the related charges in the accounts are reflected as deferred income taxes in the Consolidated Balance Sheet. Income tax savings arising from investment tax credits originating in the current and prior years are reflected in the earnings of the year in which they first reduce taxes otherwise payable.

Consolidated Statements of Earnings and Retained Earnings

For the year ended December 31, 1978

Earnings

	1978	1977
	(in thousands of dollars)	
Revenues:		
Operating revenue	$590,997	$527,670
Interest and other	2,617	3,388
	593,614	531,058
Expenses:		
Product costs, operating and administrative expenses	506,107	443,199
Depreciation	16,183	15,631
Depletion	7,711	7,145
Amortization of premiums paid on acquisitions	474	550
Interest on long-term debt	9,249	7,970
Other interest	3,925	3,146
Taxes other than income taxes	9,563	8,123
	553,212	485,764
Earnings before income taxes and minority interest	40,402	45,294
Income taxes	16,477	14,502
Minority interest	233	121
Net earnings	$ 23,692	$ 30,671
Earnings per share	$ 2.37	$ 3.07

Retained Earnings

	1978	1977
Retained earnings, beginning of year	$145,865	$126,684
Add net earnings	23,692	30,671
	169,557	157,355
Deduct dividends	12,014	11,490
Retained earnings, end of year	$157,543	$145,865

See accompanying summary of accounting policies and notes

Petrofina Canada Ltd.
(Incorporated under the laws of Canada)

Consolidated Balance Sheet
December 31, 1978

Assets

	1978	1977
	(in thousands of dollars)	
Current:		
Cash	$ 1,738	$ 3,825
Short term deposits	19,117	4,800
Accounts receivable	102,987	85,992
Oil import compensation recoverable	36	18,558
Due from affiliated companies	14,293	2
Inventories		
Oil products	78,922	135,358
Materials and supplies	9,860	9,882
Prepaid expenses	5,585	4,483
Total current assets	232,538	262,900
Income Tax Recoverable (note 5)	19,066	—
Investments and Advances (note 1)	11,817	12,545
Properties, Plant and Equipment (note 2)	322,098	305,170
Deferred Charges	3,811	2,257
Premiums Paid on Acquisitions	2,778	3,096
	$592,108	$585,968

On behalf of the Board:
P.A. Nadeau, Director
W.A. Arbuckle, Director

Liabilities and Shareholders' Equity

	1978	1977
	(in thousands of dollars)	
Current:		
Accounts payable and accrued charges	$ 75,893	$ 69,931
Income taxes payable	15,567	13,902
Due to affiliated companies	5,712	46,861
Notes payable	61,635	55,672
Current maturities of long-term debt	11,151	12,496
Total current liabilities	169,958	198,862
Long-Term Debt (note 3)	85,560	70,672
Deferred Income Taxes	62,566	54,445
Minority Interest	496	263
SHAREHOLDERS' EQUITY:		
Capital (note 4)		
Common shares of $10 par value:		
Authorized — 12,000,000 shares		
Issued — 10,015,974 shares (1977 — 10,008,574)	100,160	100,086
Contributed surplus	15,825	15,775
Retained earnings	157,543	145,865
	273,528	261,726
	$592,108	$585,968

See accompanying summary of accounting policies and notes

Auditors' report

To the Shareholders of Petrofina Canada Ltd.:

We have examined the consolidated balance sheet of Petrofina Canada Ltd. as at December 31, 1978 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the results of operations of the Company for the year ended December 31, 1978 and, subject to the final determination of the income tax matter referred to in note 5, the financial position at December 31, 1978 and the changes in financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Canada
February 15, 1979.

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Statement of Changes in Financial Position
For the year ended December 31, 1978

	1978	1977
	(in thousands of dollars)	
Source of funds:		
Net earnings from operations	$ 23,692	$ 30,671
Amounts not affecting working capital:		
Depreciation, depletion and amortization	24,794	23,721
Deferred income taxes	8,121	447
Minority interest	233	121
Total funds from operations	56,840	54,960
Long-term borrowings	40,208	3,139
Sale of properties, plant and equipment	3,141	3,192
	100,189	61,291
Use of funds:		
Additions to properties, plant and equipment	43,963	45,393
Repayments of long-term debt	25,320	18,802
Dividends	12,014	11,490
Income tax recoverable	19,066	—
Other (net)	1,284	(4,748)
	101,647	70,937
Net decrease in working capital	(1,458)	(9,646)
Working capital, beginning of year	64,038	73,684
Working capital, end of year	$ 62,580	$ 64,038

See accompanying summary of accounting policies and notes

Notes to the Consolidated Financial Statements
December 31, 1978

1. Investments and Advances
Investments, amounting to $8,837,000, consist of a 2% carried interest in future net production income of Panarctic Oils Ltd. and shares of pipeline companies. Advances, amounting to $2,980,000, consist of mortgages and other receivables.

2. Properties, Plant and Equipment

	1978			1977
	Cost	Accumulated depreciation and depletion	Net book value	Net book value
	(in thousands of dollars)			
Exploration and production	$279,255	$127,899*	$151,356	$135,234
Refining	190,338	89,827	100,511	99,834
Marketing	113,392	43,161	70,231	70,102
	$582,985	$260,887	$322,098	$305,170

*includes depletion of $101,322

3. Long-Term Debt (in thousands of dollars)

Secured:		
Production loans secured by certain oil and gas properties, payable in various amounts through 1983 with interest between ¾% and 1% above the prime rate	$ 2,506	
Other loans	45	$ 2,551
Unsecured:		
Loans with interest between ½% and 1% above the prime rate, due in varying annual instalments through 1990	82,970	
Loan in the amount of U.S. $2,000,000 (Canadian $2,372,000 translated at year-end exchange rate) with interest at ¾% above U.S. base rate payable U.S. $500,000 annually to 1982	2,160	
6⅛% promissory notes totalling U.S. $2,650,000 (Canadian $3,142,000 translated at year-end exchange rate) payable U.S. $850,000 annually to 1980 and the balance in 1981	2,949	
6% loans totalling U.S. $927,000 (Canadian $1,099,000 translated at year-end exchange rate) due in varying semi-annual instalments from 1979 to 1981	980	
Non-interest bearing advance by parent company in the amount of U.S. $5,000,000 (Canadian $5,928,000 translated at year-end exchange rate) with no maturity date, except not due within one year	4,980	
Other loans	121	94,160
		96,711
Less instalments included in current liabilities		11,151
		$85,560

Annual payments required to retire long-term debt including estimated repayment of production advances and loans amount to approximately $10,850,000 in 1980, $10,354,000 in 1981, $13,371,000 in 1982 and $6,418,000 in 1983.

4. Capital Stock
During the year the Company issued 7,400 common shares for cash. An excess of $49,950 representing proceeds over par value has been credited to contributed surplus.

Under the Company's stock option plan 87,700 shares are reserved to meet rights outstanding which are exercisable at $16.75 per share before April 20, 1982.

5. Commitments and Contingencies

Income taxes

The Federal taxation authorities have examined certain transactions with a non-resident wholly-owned subsidiary company and have recently issued notices of reassessment against the Company reducing costs claimed for the years 1970 through 1976. These reassessments, if upheld, would increase the Company's provision for Federal income taxes (including deferred income taxes) and interest by $22,581,000.

Management strongly disagrees with the reassessments which appear to be contrary to an understanding reached with such authorities in respect to prior taxation years. The Company's tax counsel have also recommended that these reassessments be contested and, accordingly, no provision has been made in the accounts for these amounts. As required by law, the Company has made payments against these notices of reassessment in the total amount of $19,066,000 which have been included in the financial statements as "Income Tax Recoverable".

Annual rental

Annual rentals payable on long-term leases (three years and over) for real property amount to approximately $2,317,000 (1977—$2,017,000).

6. Remuneration of Directors and Officers

During the year, the eighteen directors of the Company received $42,000 as directors and nine officers of the Company (two of whom were directors) received $784,000 as officers.

7. Pension Plan

The unfunded past service liability is estimated, on a present value basis, to be $10,832,000, which will be funded by equal annual payments over the next twelve years. This is based on an independent actuarial valuation of the pension plan as at January 1, 1978 updated to December 31, 1978.

8. Anti-Inflation

Under the Federal Government's anti-inflation programme the Company was subject to mandatory compliance with legislation which controlled shareholder dividends until October 13, 1978, and prices, profit margins and employee compensation until December 31, 1978.

9. Comparative Figures

Certain of the 1977 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1978.

25 Year Resume of Operations

	1978
Statistical	
Crude oil and natural gas liquids production, before royalty (thousands of barrels)	6,500
Natural gas sales, before royalty (millions of cubic feet)	26,800
Number of wells drilled in which Company had participation	73
Number of wells completed in which Company had participation	36
Sulphur sales (long tons)	171,300
Gross acreage (thousands of acres)	8,600
Net acreage (thousands of acres)	2,400
Crude oil runs to refinery stills (thousands of barrels)	26,400
Total outlets used in distribution of refined products	1,091
Number of employees	2,457
Financial	
Revenue	$593,600
Net earnings	23,700
Depreciation, depletion and amortization	24,800
Total cash generated	56,800
Working capital	62,600
Total assets	592,100
Long-term debt	85,600
Book value of shareholders' equity	273,500

1977	1976	1975	1974	1964	1954
6,500	6,700	7,700	9,500	4,600	6
29,600	30,100	30,500	30,900	22,200	—
91	79	65	51	66	25
41	49	29	23	42	25
153,800	178,700	144,500	173,000	57,000	—
12,900	13,000	18,100	30,600	5,600	17
3,200	3,200	4,100	5,000	—	—
27,500	28,900	26,600	22,600	11,700	—
1,120	1,215	1,462	1,552	1,783	373
2,412	2,352	2,347	2,203	1,262	318
		(in thousands of dollars)			
$531,100	$501,500	$398,800	$360,600	$139,200	$ 7,900
30,700	22,000	31,900	30,300	6,200	100
23,700	22,600	21,300	22,100	9,200	100
55,000	59,100	74,900	65,500	16,200	300
64,000	73,700	70,000	49,400	10,400	8,600
586,000	511,000	518,500	448,400	202,100	37,400
70,700	86,300	98,600	113,200	36,900	—
261,700	242,000	230,900	210,000	123,400	30,800

AR13

SECOND QUARTER REPORT 1978

For the Six Months Ended June 30, 1978

Comparative Highlights

Financial

	1978	1977	% Change
	(in thousands of dollars except per share amounts)		
Revenues	$286,352	$258,460	+ 10.8
Net earnings	8,291	12,531	− 33.8
— per common share	.83	1.25	− 33.8
Funds generated from operations	23,085	32,064	− 28.0
— per common shares	2.31	3.20	− 28.0

Operating

	1978	1977	% Change
	(rates per day)		
Production of crude oil and natural gas liquids, before royalty (barrels)	17,204	18,884	− 8.9
Natural gas produced and sold, before royalty (thousands of cubic feet)	82,128	84,974	− 3.3
Sales of sulphur (long tons)	425	483	− 12.0
Crude oil processed at refinery (barrels)	63,405	73,408	− 13.6
Refined products sold (barrels)	66,025	70,065	− 5.8

To the Shareholders

Net earnings for the first half of 1978 were down by 34% compared with the previous year. The excess refining capacity in eastern Canada still exists and continues to result in aggressive price competition and narrow profit margins.

Throughput at the refinery was drastically reduced in the second quarter of 1978 due to the planned shutdown of most major units for maintenance and inspection. The refinery staff took advantage of the shutdown to install energy conservation equipment to the large crude and the houdry units. Energy saving proposals are continuously being assessed and implemented whenever possible.

Petrochemical sales increased by 37% for the first half of 1978, compared with the previous year. Although petrochemical selling prices dropped substantially in the fall of 1977, there has been a gradual strengthening of prices since the beginning of the year. This trend is continuing and it is most encouraging.

Due to market restrictions there was a decrease in the production of crude oil and natural gas liquids and natural gas in the first half compared with the same period of 1977.

The Company's exploration activity during the second quarter experienced the normal slowdown due to spring break-up conditions, but it is now resuming. An active exploration programme is planned for the rest of this year. In the West Whitecourt Project during the first half of the year 12 exploratory and 5 development wells were drilled, resulting in 6 completed gas wells and 1 oil well.

In the West Gold Creek Project, which lies in the Deep Basin of northwest Alberta, the Fina Amoco Sonnet 10-29-68-10 W6 well, in which the Company's interest is 50%, was completed as a potential gas well and

is awaiting production testing. Further exploratory drilling is planned this year on this project.

The Company has joined a group of eight other companies in a consortium called the "Alsands Project Group". The Alsands Project will replace the development plans formerly proposed by the Company on the Daphne lease as operator for the Athabasca Oilsands Project (AOP) Group. The initial objectives of the Alsands Group will be to carry on negotiations with governments on the commercial and fiscal terms and conditions necessary to an economically viable project. The Daphne lease has been committed to the Alsands Project, together with an adjoining property held by other companies.

P. A. Nadeau,
Chairman of the Board

August 9, 1978

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the Six Months ended June 30, 1978
(Unaudited)

	1978	1977
EARNINGS	(in thousands of dollars)	
Revenues:		
Operating revenue	$284,826	$256,405
Interest and other	1,526	2,055
	286,352	258,460
Expenses:		
Product costs, operating and administrative expenses	253,199	217,432
Depreciation	7,903	7,719
Depletion	3,770	3,980
Amortization of premiums paid on acquisitions	211	247
Interest on long-term debt	3,870	4,185
Other interest	2,020	1,285
Taxes other than income taxes	4,432	4,137
Income taxes	2,656	6,944
	278,061	245,929
Net earnings	$ 8,291	$ 12,531
Earnings per share	$ 0.83	$ 1.25
RETAINED EARNINGS		
Retained earnings, beginning of year	$145,865	$126,684
Add net earnings	8,291	12,531
	154,156	139,215
Deduct dividends	6,006	5,486
Retained earnings, end of period	$148,150	$133,729

Approved on behalf of the Board:
P. A. Nadeau, Director
J. E. Baugh, Director

See accompanying note

PETROFINA CANADA LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the Six Months Ended June 30, 1978

(Unaudited)

	1978	1977
	(in thousands of dollars)	
SOURCE OF FUNDS:		
Net earnings from operations	$ 8,291	$12,531
Amounts not affecting working capital:		
Depreciation, depletion and amortization	12,077	12,123
Deferred income taxes	2,569	7,371
Minority interest	148	39
Total funds from operations	23,085	32,064
Long-term borrowings	40,060	2,614
Sale of properties, plant and equipment	1,656	1,085
Issuance of common shares	59	519
Net decrease in investments and advances	630	4,387
	65,490	40,669
USE OF FUNDS:		
Additions to properties, plant and equipment	21,285	27,118
Repayments of long-term debt	3,696	7,530
Dividends	6,006	5,486
Income tax recoverable (see note)	12,370	—
Increase in deferred charges	467	77
	43,824	40,211
Net (decrease) increase in working capital	21,666	458
Working capital, beginning of year	64,038	73,684
Working capital, end of period	$85,704	$74,142

NOTE TO FINANCIAL STATEMENTS

The Federal taxation authorities have examined certain transactions with a non-resident wholly-owned subsidiary company and have recently issued notices of reassessment against the company reducing costs claimed for the years 1970 through 1976. These assessments, if upheld, would increase the Company's provision for income taxes and interest by $22,838,000 in total.

Management strongly disagrees with the assessments which appear to be contrary to an understanding reached with such authorities in respect to prior taxation years and the Company's tax counsel have recommended that these assessments be contested. As required by law, the Company has made a payment against these notices of reassessment in the amount of $12,370,000 which has been included in the financial statements as "Income tax recoverable".

DEUXIÈME RAPPORT TRIMESTRIEL DE 1978

Pour le semestre terminé le 30 juin 1978

Quelques points de comparaison

Finances

	1978	1977	Changement
	(en milliers de dollars, sauf les montants par action)		%
Revenus	$286,352	$258,460	+ 10.8
Bénéfices nets	8,291	12,531	− 33.8
— par action ordinaire	.83	1.25	− 33.8
Fonds autogénérés	23,085	32,064	− 28.0
— par action ordinaire	2.31	3.20	− 28.0

Exploitation

	(cadences par jour)		
Production de pétrole brut et de dérivés liquides de gaz naturel, avant redevances (barils)	17,204	18,884	− 8.9
Production et ventes de gaz naturel, avant redevances — (en milliers de pieds cubes)	82,128	84,974	− 3.3
Ventes de soufre (tonnes fortes)	425	483	− 12.0
Pétrole brut traité par la raffinerie (barils)	63,405	73,408	−13.6
Ventes de produits raffinés (barils)	66,025	70,065	− 5.8

Aux actionnaires

Les bénéfices nets du premier semestre de 1978 ont subi une baisse de 34% par rapport à l'an dernier. La surcapacité de raffinage qui persiste dans l'Est du Canada entretient la rude guerre des prix et la réduction de la marge bénéficiaire.

Les activités de la raffinerie ont été considérablement ralenties au cours du second trimestre de 1978 par l'arrêt prévu des principales installations de raffinage pour l'entretien et l'inspection. Le personnel de la raffinerie a profité de cette interruption pour installer divers dispositifs d'économie d'énergie aux principales unités de traitement du brut et de craquage catalytique. Des projets et mesures visant à économiser l'énergie sont constamment analysés et, lorsque possible, immédiatement réalisés.

Les ventes de produits pétrochimiques se sont accrues de 37% au cours du premier semestre de 1978 comparativement à l'an dernier. La chute marquée des prix de vente de ces produits à l'automne 1977 a été suivie d'un redressement graduel au début du présent exercice. Cette tendance des plus encourageantes se maintient.

Les restrictions du marché ont engendré une baisse de production de pétrole brut, de gaz naturel et de dérivés liquides de gaz naturel au cours du premier semestre comparativement à la même période l'an dernier.

Au cours du second trimestre, les activités d'exploration de la compagnie ont connu leur ralentissement habituel attribuable au dégel. La situation revient progressivement à la normale et un programme intensif d'exploration a été prévu pour le reste de l'année. À West Whitecourt, on a procédé au forage de douze puits exploratoires et de cinq puits d'exploitation au cours du premier semestre; les résultats furent positifs pour six puits de gaz et un puits de pétrole.

Quant au projet de West Gold Creek situé dans le Deep Basin du nord-ouest de l'Alberta, le puits Fina Amoco Sonnet 10-29-68-10 W6, dans lequel la compagnie détient une participation de 50%, présente une source potentielle de gaz et l'on y effectuera éventuellement des essais de production. On prévoit poursuivre les travaux de forage exploratoire de ce projet au cours de l'année.

La compagnie s'est jointe au consortium ''Alsands Project Group'' formé de neuf compagnies. Le projet Alsands remplacera le programme de développement proposé antérieurement par la compagnie pour la concession de Daphne, à titre de maître d'oeuvre du groupe Athabasca Oil sands Project (AOP). Le premier objectif du Alsands Group sera d'entreprendre des négociations avec les gouvernements sur les modalités commerciales et fiscales nécessaires à la viabilité économique du projet. La concession Daphne a été engagée dans le projet Alsands, de même qu'une concession adjacente dont les intérêts appartiennent à d'autres compagnies.

Le 9 août 1978

Le président du conseil,
P. A. Nadeau

PETROFINA CANADA LTÉE ET SES FILIALES

ÉTAT CONSOLIDÉ DES BÉNÉFICES ET DES BÉNÉFICES NON RÉPARTIS

Pour le semestre terminé le 30 juin 1978
(avant vérification)

	1978	1977
BÉNÉFICES	(en milliers de dollars)	
Revenus:		
Revenus d'exploitation	$284,826	$256,405
Intérêts et autres	1,526	2,055
	286,352	258,460
Frais:		
Prix de revient des produits, frais d'exploitation et d'administration	253,199	217,432
Amortissement	7,903	7,719
Épuisement	3,770	3,980
Amortissement des excédents payés lors d'acquisitions	211	247
Intérêts sur la dette à long terme	3,870	4,185
Autres intérêts	2,020	1,285
Taxes autres que les impôts sur le revenu	4,432	4,137
Impôts sur le revenu	2,656	6,944
	278,061	245,929
Bénéfice net	$ 8,291	$ 12,531
Bénéfice par action	$ 0.83	$ 1.25
BÉNÉFICES NON RÉPARTIS		
Bénéfices non répartis au début de l'exercice	$145,865	$126,684
Ajouter bénéfice net	8,291	12,531
	154,156	139,215
Déduire dividendes	6,006	5,486
Bénéfices non répartis à la fin de l'exercice	$148,150	$133,729

Approuvé pour le Conseil d'administration:
P. A. Nadeau, administrateur
J. E. Baugh, administrateur

Voir note ci-jointe

PETROFINA CANADA LTÉE ET SES FILIALES

ÉTAT CONSOLIDÉ DE L'ÉVOLUTION DE LA SITUATION FINANCIÈRE

Pour le semestre terminé le 30 juin 1978
(avant vérification)

	1978	1977
	(en milliers de dollars)	
PROVENANCE DES FONDS:		
Bénéfices nets d'exploitation	$ 8,291	$12,531
Montants ne modifiant pas le fonds de roulement:		
Amortissement et épuisement	12,077	12,123
Impôts sur le revenu reportés	2,569	7,371
Part des actionnaires minoritaires	148	39
Total des fonds provenant de l'exploitation	23,085	32,064
Emprunts à long terme	40,060	2,614
Ventes de propriétés, installations et équipement	1,656	1,085
Émission d'actions ordinaires	59	519
Diminution nette des placements et avances	630	4,387
	65,490	40,669
UTILISATION DES FONDS:		
Investissements en propriétés, installations et équipement	21,285	27,118
Remboursement de la dette à long terme	3,696	7,530
Dividendes	6,006	5,486
Impôts sur le revenu recouvrables (voir note)	12,370	—
Augmentation des frais reportés	467	77
	43,824	40,211
Augmentation (diminution) nette du fonds de roulement	21,666	458
Fonds de roulement au début de l'exercice	64,038	73,684
Fonds de roulement à la fin de l'exercice	$85,704	$74,142

NOTE AUX ÉTATS FINANCIERS

Les autorités fiscales fédérales ont examiné certaines transactions conclues avec une filiale en propriété exclusive non résidante et ont récemment émis contre la compagnie des avis de cotisations qui réduisent les coûts réclamés pour les exercices 1970 à 1976. Ces cotisations, si elles étaient maintenues, augmenteraient de $22,838,000 la provision de la compagnie pour impôts sur le revenu et intérêts.

La direction s'oppose fortement à ces cotisations qui semblent contredire une entente convenue avec ces mêmes autorités à l'égard des années d'imposition antérieures. Les conseillers fiscaux de la compagnie lui ont également conseillé de contester ces cotisations. Pour satisfaire aux exigences de la loi, la compagnie a versé $12,370,000 sur ces cotisations, montant qui apparaît aux états financiers au poste ''Impôts sur le revenu recouvrables''.